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Testimony of the American Council of Life Insurers  
Before the Joint Committee on Insurance & Real Estate  
Thursday, February 27, 2014

**Senate Bill 187 - An Act Concerning Federal Home Loan Banks  
and the Insurer Rehabilitation and Liquidation Act**

Senator Crisco, Representative Megna, and members of the Joint Committee on Insurance & Real Estate, the American Council of Life Insurers (ACLI) appreciates the opportunity to offer the following comments in support of **Senate Bill 187 - An Act Concerning Federal Home Loan Banks and the Insurer Rehabilitation and Liquidation Act**. Thank you very much for introducing and considering this legislation which will directly and favorably impact Connecticut insurers.

Access to Federal Home Loan Bank credit is an important source of capital for Connecticut insurers. The Federal Housing Finance Agency (FHFA), the regulator for the Federal Home Loan Banks, has placed increased focus on lending to insurance company members. In particular, the FHFA has paid particularly attention to the manner in which collateral would be treated in receivership. The FHFA has expressed its desire that such collateral be treated in the same manner under state law as collateral on loans to banks is treated under federal law.

Senate Bill 187 would provide statutory protection to a Federal Home Loan Bank from potential "stays" that may be sought by a receiver in order to delay the Bank from obtaining possession of the collateral. The legislation would also protect the Bank from potential "voidable preference" challenges that may be made by a receiver with respect to additional collateral that may have been posted by the insurer. Specifically, Senate Bill 187 would modify a state's receivership law of the "stay" and "avoidance of transfer" provisions to include pledges, security and collateral that are held by a Federal Home Loan Bank.

If adopted, Senate Bill 187 would provide greater certainty to the Federal Home Loan Bank, and Connecticut insurance company members, with regard to how collateral is treated in receivership. This, in turn, should eliminate any need for an increase in collateral requirements on Connecticut insurer borrowers. The passage of Senate Bill 187 should result in continued, and possibly even expanded, lending to insurers.

Thank you for your consideration of our position in support of **Senate Bill 187 - An Act Concerning Federal Home Loan Banks and the Insurer Rehabilitation and Liquidation Act**. Please contact John Larkin at (860) 508-9924 or Kate Kiernan at (202) 624-2463 with any questions.

*The American Council of Life Insurers (ACLI) is a national trade association with approximately 300 member companies operating in the United States and abroad. 228 member companies serve Connecticut consumers. ACLI advocates in federal, state, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers' products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing more than 90 percent of industry assets and premiums in Connecticut. Learn more at [www.acli.com](http://www.acli.com).*